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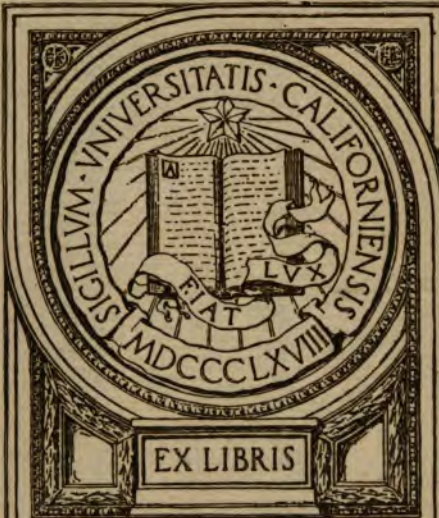


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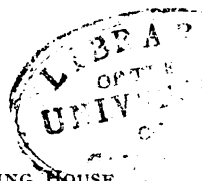
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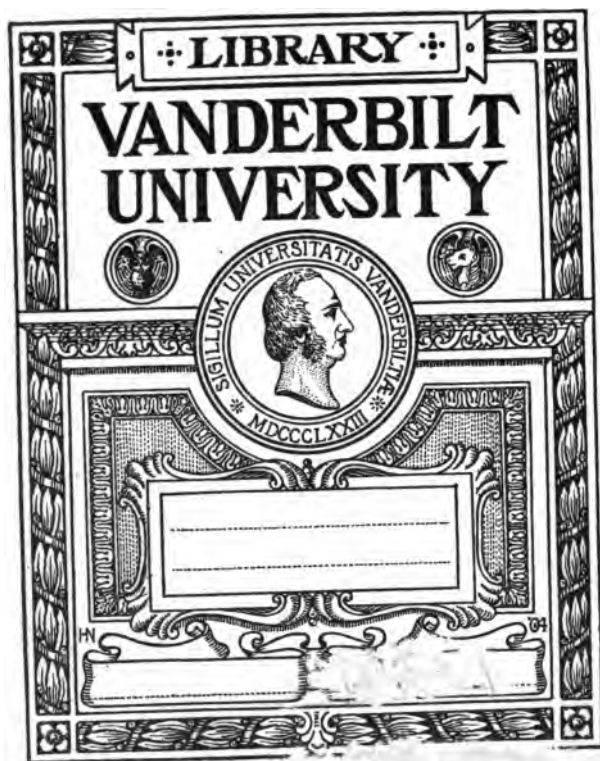
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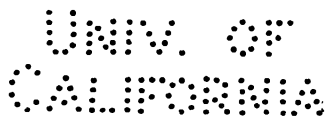
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ABSTRACTS



THE CREDIT SYSTEM AND THE PUBLIC DOMAIN.

The one feature of our early land policy destined to most complete failure was the institution of credit in the sale of the public domain. The land act, approved May 10, 1800, required that "one-fourth part of the purchase money shall be paid within forty days after the day of sale; [the remainder to be paid in three equal payments in two, three, and four years, with interest at six per cent a year]. * * * If any tract shall not be completely paid for within one year after the date of the last payment, * * * [it shall be sold] for a price not less than the whole arrears due thereon, with the expenses of sale; the surplus, if any, shall be returned to the original purchaser, or to his legal representative; but if the sum due, with interest, be not bidden and paid, then the land shall revert to the United States, [and all moneys paid therefor shall be forfeited]."¹

Very few questioned the wisdom of this policy. In his report upon the public lands, Hamilton favored it for tracts more than ten miles square, provided security other than the land itself were given.² Moreover, it had the prestige of precedent in its favor. It had been employed by the Proprietary Government of Pennsylvania³ and more recently by New York⁴ and Kentucky.⁵ The sales to the Ohio Company⁶ and to John Cleves Symmes⁷ both involved its use. A credit of one year on one-half of the purchase money was also given by the first land act of Congress in 1796.⁸ In the debates preceding the passage of this act, the credit system received the most meager consideration. It is in keeping with the general purpose of the act, however, to suppose that the object was to swell the receipts of the Treasury. Credit was a lure alike to the speculator and the settler. It enabled the former to assume risks altogether out of proportion to his capital. To the latter it held out the hope of paying for a

¹ Annals of Congress, 1799-1801, Appendix, cols. 1517, 1518.

² American State Papers, Public Lands, Vol. I., pp. 8, 9.

³ Annals of Congress, 1789-'91, col. 628.

⁴ Hildreth, History of the United States, Vol. IV., p. 581.

⁵ Annals of Congress, 1796-'97, col. 2209; *ibid.*, 1829, col. 1893.

⁶ Donaldson, The Public Domain, p. 197.

⁷ American State Papers, Public Lands, Vol. I., pp. 75, 128.

⁸ Annals of Congress, 1796-'97, Appendix, cols. 2907, 2908.

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home in large part out of the returns of his labor. But that credit was less suited to a government selling land to its subjects than to the business transactions of everyday life appears to have occurred to only a few.¹

The actual working of the system soon revealed its defects. This is disclosed by the following table:²

Year.	Acres Sold.	Due from Individuals.	Arrearage.
1803	199,080	\$1,092,390.17	\$40,218.35
1804	373,611	1,434,212.50	176,778.02
1805	619,266	2,094,305.85	384,799.11
1806	473,211	2,245,557.58	243,933.18
1807	358,372	2,265,219.92	315,312.12
1808	213,472	2,180,425.86	586,817.05
1809	231,044	2,186,186.71	886,841.92
1810	235,879	2,036,837.37	702,557.91
1811	288,930	1,970,912.91	656,603.64

These figures indicate the rapid evolution of a debtor class upon the public domain. From 1803 to 1805 the debt almost doubled. More noteworthy is the remarkable growth of arrearages. In 1809 these were twenty-two times greater than in 1803.

NOTE.—The above table covers sales south as well as north of the Ohio river. There were none of the former till 1803. In that year land offices were opened in Mississippi Territory, but no statement of sales appears to have been made till 1807.³ The figures for that year include all sales since the opening of the land offices. The principal facts are as follows:⁴

Year.	Acres Sold.	Due from Individuals.	Arrearage.
1807	74,192	\$111,913.50	
1808	17,892	138,752.85	
1809	87,635	273,482.85	\$ 36,166.88
1810	77,035	390,195.33	80,413.13
1811	81,913	474,541.23	148,190.72

¹ Annals of Congress, 1789-'91, cols. 1069, 1070; *ibid.*, 1796-'97, cols. 2209, 2210.

² American State Papers, Finance, Vol. II., pp. 52, 53, 151, 152, 147, 148, 210, 211, 252, 253, 313, 314, 315, 379-82, 445, 446, 502, 503; Public Lands, Vol. I., p. 909.

³ Annals of Congress, 1802-1803, Appendix, col. 1594.

⁴ American State Papers, Finance, Vol. II., pp. 253, 315, 381, 382, 446, 503.

The movement is subject to fluctuations, but the general trend is unmistakable. The amount due and the arrearage are doubtless connected with the yearly acreage sold. Thus the great increase in sales ending with 1807 resulted in an enormous growth in both of these items; likewise the falling off in sales following that year resulted in their decline. Much the greater part of the debt overdue rested upon those who were hopelessly involved.¹ Nearly three-fourths of the arrearage in Ohio in 1805 was due from those who had paid but one instalment.² The number of tracts in the same State annually offered for sale on account of failure in payment was estimated in 1812 at 1,020.³ The forfeitures accruing to the United States, July 1, 1813 to Sept. 30, 1814, amounted to \$23,589.33. In the greater number of cases this loss fell upon purchasers of a quarter rather than of a half or whole section.⁴

The credit system was early recognized as ill advised. In 1797 a motion extending the time of credit from one to four years was defeated in the House Committee of the Whole.⁵ The opposition argued that "nothing more would be received of the purchasers than the first deposit, if so long a credit were given";⁶ and that "instead of money they should have petitions sent in for a prolonging of the time of payment."⁷ Though a supporter of this motion, Gallatin in 1804,⁸ 1806,⁹ and 1808¹⁰ recommended the abolition of the credit system. The House Committee on Public Lands in 1806,¹¹ 1809,¹² and 1812¹³ made a similar recommendation, and the Senate Committee in 1812¹⁴ expressed the same opinion. The dealings of debtor and creditor with each other are subject to more or less friction, and for the relationship of government and subject to be subjected to such a strain was soon perceived to be eminently unwise. Any government in becoming indebted to large numbers of its own subjects strengthens itself by the ties of self-interest. Reverse the case and the fealty of the average citizen is weakened.¹⁵ In 1806

¹ *Ibid.*, Public Lands, Vol. I., p. 287; Vol. II., pp. 730, 731.

² *Ibid.*, Vol. I., p. 287. ³ *Ibid.*, Vol. II., p. 441. ⁴ *Ibid.*, Vol. II., p. 891.

⁵ *Annals of Congress*, 1796-'97, col. 2209. ⁶ *Ibid.* ⁷ *Ibid.*

⁸ *American State Papers*, Public Lands, Vol. I., p. 183.

⁹ *Ibid.*, p. 287. ¹⁰ *Ibid.*, p. 910. ¹¹ *Ibid.*, pp. 286-'7. ¹² *Ibid.*, pp. 909-'10.

¹³ *Ibid.*, Vol. II., pp. 730-'31. ¹⁴ *Ibid.*, pp. 439-'41.

¹⁵ *Niles' Register*, Vol. XVII., 1820, p. 11; see also *Annals of Congress*, 1796-'97, col. 2209, and 1819-'20, cols. 445, 447, 1820, 1872-'77.

Gallatin said: "The accumulation of a debt * * * which is every day increasing in amount and extending to a greater number of persons may ultimately create * * * a powerful interest hostile to the Federal Government."¹ More than two thousand heads of families in Ohio were public land debtors in 1805.² The number in all the States and Territories in 1812 was seven to ten thousand.³

The act of 1804⁴ endeavored to check the rapidly growing evil of delinquencies by exempting payments from interest if made when due;⁵ otherwise interest was to be charged from the date of purchase. How inadequate this remedy proved is shown by the table given above.

In 1809 Congress began to pass various act of relief extending the time of payment.⁶ With few exceptions these applied only to persons holding 640 acres or less—an attempt to favor the settler as opposed to the speculator.⁷ Such measures, however, were mere palliatives. Leaving the credit system still intact, they did not remove the cause of the disease. Rather did they aggravate the difficulty by encouraging the opinion that government was a lenient creditor in enforcing its demands. That they afforded relief to some is not denied, but in so doing they intensified the trouble they were devised to alleviate. By holding out to venturesome spirits the hope of gain, coupled with a guarantee against loss, they put a premium upon the spread of the credit system. As a consequence, it extended more and more over Ohio, Indiana, Illinois, Missouri, Alabama, Mississippi, Louisiana, and Michigan.⁸

Nor was this experience of the national government exceptional. The land debt south of the French Broad and Holston in Tennessee was a source of annoyance to the State for twenty years.⁹ The expense of legislating upon petitions for relief by 1833 exceeded the amount still due.¹⁰ The experience of Ken-

¹ American State Papers, Public Lands, Vol. I., p. 287. ² Ibid.

³ Ibid., Vol. II., p. 440. ⁴ Annals of Congress, 1803-'04, col. 1290.

⁵ American State Papers, Public Lands, Vol. I., p. 909; Vol. II., p. 256.

⁶ Donaldson, *The Public Domain*, p. 205; *Annals of Congress*, 1820, cols. 1869, 1891.

⁷ Donaldson, *op. cit.*, p. 205. ⁸ Ibid.

⁹ Senate Journal, Tennessee, 1829, p. 103.

¹⁰ House Journal, Tennessee, 1833-'34, p. 11.

tucky in exploiting her public domain is even more to the point. In this State relief was granted again and again until it came to be expected almost as a matter of course. In the Green river country any one opposed to such a measure stood but little chance of election to the legislature. The influence of the debt also extended to other legislation. The votes necessary to enact measures that otherwise would have failed were procured in exchange for votes granting indulgence to land debtors. Legislation thus tended to become a matter of bargain and sale rather than of public policy.¹

Whenever government ceases to act as the arbiter of differences, and permits itself to become a party to them, it inevitably compromises the dignity of its position. The limited means of many to whom credit was extended² made this especially true in the sale of the public lands. The House Committee on the subject, in 1806, said: "Although no sales have yet taken place, there is no doubt but some must be made, or the lands revert to the United States, if the law is rigidly executed. * * * It appears doubtful whether * * * an attempt to sell would be attended with success. * * * Few men are willing to incur the resentment of their neighbors, by bidding for their property at a public vendue, even when other neighbors are the creditors; and, when the public is concerned, scarcely a man will be found hardy enough to do it. The lands will, therefore, in many instances, revert to the government, encumbered by the occupancy of a tenant who ought to be evicted before another sale should be made. It might be added that few strangers would run the risk of bidding for property at a vendue, when the united interest of the whole neighborhood was opposed to the sale."³ In 1812 the Senate Committee observed: "There can scarcely be imagined a situation better calculated to rouse the feelings or mislead the mind of an individual whose hopes have been blasted in a purchase of land. He has made his purchase, and with difficulty paid his first instalment. * * * The credit allowed by law (five years) expires; his land is advertised for sale; he is threatened with the loss of all he has paid, whether one, two, or three instalments. But this is not all; his labor for five years, which has put his land in a state of

¹ *Annals of Congress*, 1819-'20, col. 447; *ibid.*, 1820, col. 1875.

² Flint, *Recollections of the Last Ten Years*, 1826, pp. 40, 41.

³ *American State Papers*, Public Lands, Vol. I., pp. 236, 287.

cultivation, and placed around him the comforts of life where a wilderness existed before, is also to be lost, and his family turned out of a home to seek some new situation."¹

The year 1814 witnessed the beginning of a great increase in the sales of the public lands. In that year 864,536 acres were sold, or 245,370 more than in any year since 1796. During the succeeding five years the sales assumed vast proportions, in 1819 reaching 5,475,648 acres.² These figures were not surpassed till 1835.³ Still more noteworthy was the increase in the purchase money offered. During the thirteen years ending with 1813, this averaged \$735,292. In 1814 it leaped to \$1,784,560, forty-four per cent more than in any year preceding. Within the next four years it twice doubled, and in 1819 jumped to \$17,681,794. Moreover, in 1818 and '19 there was a marked increase in the average price offered per acre. In no year prior to this had it reached \$2.40, but during these years it rose to \$3.16. More than two-thirds of the public land disposed of till June 30, 1820, was sold during the six years ending with 1819; and more than three-fourths of all purchase money offered was for this land.⁴ The most remarkable increase took place in Alabama and Mississippi. In these States the sales, 1816-'19, averaged 1,000,000 acres, fifteen times the average from 1807-'16. Of \$17,656,549 purchase money, ninety-seven per cent was for sales during the four years prior to 1820. The average price per acre for 1818 and '19 was \$4.51.⁵

The land office at Huntsville, Ala., was the center of most reckless land speculation. The lands sold at that office, January 1, to September 30, 1818, averaged \$7.78, and for the year ending September 30, 1819, \$6.16 per acre.⁶ Sales at ten to twenty dollars per acre were common; at twenty-five to thirty dollars, somewhat less common,⁷ and occasionally as high as seventy,⁸ seventy-

¹ *Ibid.*, Vol. II., p. 440.

² *Ibid.*, Vol. VIII., p. 2.

³ Report of Commissioner of General Land Office, 1841, p. 22.

⁴ American State Papers, Public Lands, Vol. VIII., p. 2.

⁵ *Ibid.*, Vol. III., p. 420.

⁶ *Ibid.*, Finance, Vol. III., pp. 287, 432; Public Lands, Vol. V., pp. 377, 383-385.

⁷ American State Papers, Public Lands, Vol. III., pp. 555-558; Vol. IV., p. 805; Niles' Register, Vol. XI., 1816, p. 107.

⁸ Niles' Register, Vol. XIII., 1817, p. 62.

eight,¹ and even one hundred and twenty dollars² were bid. In one instance a planter bought a quarter-section of cotton land at one hundred and twenty-seven dollars per acre.³ Speculation in town sites and lots was of the wildest kind. A company paid two hundred and fifty-one dollars an acre for a half-quarter-section. As much as \$3,500 were bid for one lot.⁴ In a memorial to Congress in 1830, the general assembly of Alabama said: "In the years 1818, 1819, and 1820, * * * competition for Alabama lands was without a parallel. Sales were made at prices so far above the true value of the lands, or above that value at which they had been estimated by reasonable men, that the people of the surrounding country, not engaged in the transactions of the day, attributed it to a frenzy among the bidders. Good lands were then bid off at prices varying from thirty to fifty dollars per acre, when lands of the like quality, equally productive and suitable for cultivation, could be purchased in the neighboring States at or about one-fourth part of what it was agreed to be paid for them in Alabama."⁵

St. Charles, Missouri, witnessed a similar experience. "A very large tract of land was cried for sale * * * and the only limits and bounds given were, that it was thirty miles north of St. Louis. * * * But a purchaser soon appeared, who bid off the tract. * * * There were people who offered immense tracts of land the titles to which were contingent. * * * Often the same tract was offered for sale by two and even three claimants. The whole county of St. Charles, containing a number of thousands of inhabitants, was offered for sale, by what was called the Clamorgan claim, and thirteen hundred dollars were paid [for it] on the spot."⁶

In addition to credit, high prices for produce, profuse emissions of banknotes,⁷ the Yazoo land scrip, emigration to the West, and the auction system, contributed to this mania for speculation. Cotton sold from twenty to thirty cents per

¹ *Annals of Congress*, 1819-'20, col. 446.

² *Ibid.*, Vol. XV., 1818, p. 116.

³ McMaster, *History of the People of the United States*, Vol. IV., p. 396. ⁴ *Ibid.*

⁵ *American State Papers, Public Lands*, Vol. VI., pp. 142, 143.

⁶ Flint, *Recollections of the Last Ten Years*, 1826, p. 199.

⁷ *American State Papers, Public Lands*, Vol. IV., p. 805; Vol. V., p. 377; Vol. VI., p. 10.

pound.¹ The prices of tobacco and breadstuffs were also high.²

During and immediately after the war of 1812, the notes of banks receiving and reissuing treasury notes were accepted in payment of all public dues. This promoted excessive issues.³ Besides, payment for public land was a constant drain upon the money of the West, and the temptation to fill the vacuum with over issues was strong.⁴ The bills of many local banks made a place for themselves by depreciating and driving from general circulation the notes of specie-paying institutions.⁵ The years 1815-'19 were prolific in banks. A petition to Congress of Alabama land debtors alluded to the recent establishment of seventy new banks.⁶ In 1815 and '17 no less than twelve banks of issue were established in Tennessee.⁷ The legislature of Kentucky, at the session of 1817-'18, chartered forty banks,⁸ and in 1820, as a relief measure for their victims, established the Bank of the Commonwealth of Kentucky.⁹ Banks were established on a sum of money sufficient to pay for engraving the plates and to purchase the paper for notes. The Secretary of the Treasury, W. H. Crawford, in 1820 said: "Banks have been incorporated, not because there was capital seeking investment; not because the places where they were established had commerce and manufactures which required their fostering aid; but because men without active capital wanted the means of obtaining loans, which their standing in the community would not command from banks and individuals having real capital and established credit."¹⁰ The note circulation of the country increased from forty-five million dollars, in 1812, to one hundred million dollars in 1817.¹¹ To get their

¹ *Ibid.*, Vol. V., pp. 377, 378; Vol. VI., p. 10; *Annals of Congress*, 1819-20, col. 446.

² *Niles' Register*, Vol. XVI., 1819, p. 386.

³ *Annals of Congress*, 1819-'20, col. 465; *ibid.*, 1820, col. 1892.

⁴ *Ibid.*, 1820, col. 1885.

⁵ *American State Papers*, Finance, Vol. III., p. 263.

⁶ *Ibid.*, Public Lands, Vol. IV., p. 805; *Annals of Congress*, 1819-'20, col. 446.

⁷ Phelan, *History of Tennessee*, p. 259.

⁸ Sumner, *Andrew Jackson*, p. 120.

⁹ *Ibid.*, p. 124.

¹⁰ *American State Papers*, Finance, Vol. III., p. 494.

¹¹ Sumner, *History of American Currency*, p. 80.

notes into circulation, the banks competed in offering borrowers favorable terms. As a consequence, the use of credit was greatly extended¹ and an upward impetus was given to prices. This in turn encouraged all to get into debt, and sharpened the public appetite for still further issues of bank notes.²

The scrip issued in settlement of the Yazoo claims, was receivable in payment for Alabama and Mississippi lands.³ This increased the rage for land speculation.⁴ Of \$4,691,784.38 received for Alabama lands during the four and half years preceding June 30, 1820, \$2,100,892.44—forty-four and seven tenths per cent—were Yazoo land scrip.⁵

The volume of western emigration ebbed and flowed with prosperity in the older States. Indian uprisings on the frontier sometimes checked its flow; but it always regained its ground, and at times the highways were thronged with families moving to the west.⁶ The movement was the outgrowth of a nation seeking its economic ends along the line of least resistance. Occasionally it became so vast as to alarm the Atlantic states. In 1815, a legislative committee, in a report to the legislature of North Carolina, said: "Within twenty-five years past, more than two hundred thousand of our inhabitants have removed to the waters of the Ohio, Tennessee, and Mobile; and it is mortifying to witness the fact, that thousands of our wealthy and respectable citizens are annually moving to the west * * * and that thousands of our poorer citizens follow them."⁷ The following year a similar view was expressed in a report to the Virginia House of Delegates.⁸ During 1810-'20 the population of the public domain states and territories increased from 671,804 to 1,653,147; nearly two and one half times. The more noteworthy increases were: Ohio, 230,760 to 581,434; Indiana, 24,520 to 147,178; Illinois, 12,282 to 55,211; Missouri, 20,845 to 66,586; Mississippi and Ala-

¹ American State Papers, Public Lands, Vol. VI., p. 12.

² Sumner, Andrew Jackson, p. 121.

³ American State Papers, Public Lands, Vol. II., pp. 877-'87; Hildreth, History of the United States, Vol. IV., pp. 227, 582, 642; Vol. V., pp. 474-'5, 541-'2; Vol. VI., pp. 48, 464; McMaster, History of the People of the United States, Vol. III., pp. 131-'2.

⁴ American State Papers, Public Lands, Vol. IV., p. 805; Vol. V., p. 377; Vol. VI., pp. 10, 12, 52; Annals of Congress, 1819-'20, col. 445.

⁵ American State Papers, Public Lands, Vol. V., p. 385.

⁶ McMaster, op. cit., Vol. IV., pp. 381-'8.

⁷ Niles' Register, Vol. IX., 1816, Supplement, p. 165. ⁸ Ibid., p. 150.

bama, 40,352 to 203,349; Louisiana, 76,556 to 153,407; Tennessee, 261,727 to 422,813.¹ As a consequence, in the decade ending with 1820, seven states—Louisiana, Indiana, Mississippi, Illinois, Alabama, Maine and Missouri—entered the Union.² In no decennial period before or since have there been so many accessions to the family of states.

Lastly, in offering the public lands at auction to the highest bidder, instead of at a fixed price, the government threw wide open the door to speculation. Competition among buyers forced the price to the utmost limit, and under the impulse of the moment men made the most extravagant offers. No doubt speculation would have seized upon the land in any event, but the auction system promoted it by permitting it to enter so early into the sales.

The seed of industrial ruin had now been sown and the harvest was close at hand. During the four years ending with 1818, the debt due from individuals for public lands had increased from \$3,042,613.89 to \$16,794,795.14.³ Failure to meet payments became so common that the receipts were principally confined to the first instalments on the annual sales.⁴ In seven years ending September 30, 1818, the reversions aggregated 698,336 acres,⁵ and in eighteen years the forfeitures amounted to \$402,855.75.⁶ Relief acts were passed almost yearly. Niles' Register said: "The statute book is disgraced by such acts: we would seriously advise the passage of an act directing that the debtors for lands should satisfy their debts sixty days after it is convenient."⁷ In the early part of 1818, the Secretary of the Treasury, in self-defense, instructed collectors and receivers of public money to receive nothing in payment of duties, taxes and public lands but current specie and bills of banks maintaining specie payments.⁸ This added to the embarrassment of the land debtors.⁹ Then came the panic of 1819.¹⁰ Early in

¹ *Ibid.*, Vol. XXI., 1822, p. 346.

² MacCoun's *Historical Geography of the United States*, pp. 33-36.

³ *American State Papers, Finance*, Vol. III., p. 718.

⁴ *American State Papers, Public Lands*, Vol. III., p. 419. ⁵ *Ibid.*, p. 420.

⁶ *Ibid.*, Vol. IV., p. 911. ⁷ Vol. XXI., 1821, p. 277.

⁸ *American State Papers, Finance*, Vol. III., p. 263; *Public Lands*, Vol. IV., p. 2; *Niles' Register*, Vol. XIX., 1820, p. 48.

⁹ *Niles' Register*, Vol. XV., 1819, p. 77; Vol. XIX., 1821, p. 132; *Annals of Congress*, 1819 '20, col. 465; *ibid.*, 1820, col. 1892.

¹⁰ Sumner, *History of American Currency*, p. 79.

that year "the price of all articles produced in the western states fell so low as scarcely to defray the expense of transportation to the ports from whence they were usually exported to the foreign markets. This condition of things, which had not been anticipated when the debt for the public lands was contracted, produced the most serious distress at the moment, and excited alarming apprehensions for the future."¹ The price of cotton fell more than fifty per cent.² Growers endeavored to recoup themselves by planting a larger acreage, but this only drove the price still lower until³ it had fallen more than twenty cents per pound.⁴ In Alabama, where cotton was the sole dependence for cash, this meant widespread ruin. "Many banks, too tedious to mention, [shut] up shop, leaving the little circle, in which their notes were received, in a state of *wonderment* that a bank should break. . . . Begotten in iniquity, they died in corruption."⁵ The note circulation of \$100,000,000 in 1817, dwindled to \$45,000,000 in 1819.⁶ Prof. Sumner says: "Stagnation and distress lasted throughout 1820. Prices were at the lowest ebb and liquidation went slowly on. Wheat was at 20 cents per bushel in Kentucky. A man in Western Virginia stopped Niles' Register because one barrel of flour used to pay a year's subscription; now three barrels would not. At Pittsburg, flour was \$1.00 per barrel; boards 20 cents per hundred; sheep, \$1.00."⁷

All this was disastrous to land debtors. The reversions in 1819 amounted to 365,020 acres—two and four tenths times as much as in any year preceding.⁸ In addition to the instalments which fell due upon sales of former years, the amount paid into the Treasury lacked \$1,146,000 of the legal minimum payable on the land sold that year.⁹ The balance due in 1820 amounted to \$21,213,350.¹⁰—more than one-fifth of the national debt.¹¹ Fifty-

¹ American State Papers, Finance, Vol. III., p. 718; see also Flint, Recollections of the Last Ten Years, 1826, pp. 247-'8.

² American State Papers, Public Lands, Vol. VI., p. 12; Vol. IV., p. 805. ³ Ibid., Vol. VI., p. 12. ⁴ Ibid., p. 10.

⁵ Niles' Register, Vol. XVIII., 1820, p. 364; see also Flint, Recollections of the Last Ten Years, 1826, p. 212.

⁶ Sumner, History of American Currency, p. 80. ⁷ Ibid., p. 82.

⁸ American State Papers, Public Lands, Vol. III., p. 420.

⁹ Ibid., Vol. VIII., p. 2. ¹⁰ Ibid., Vol. IV., p. 795.

¹¹ Public Debt of the United States, 1791-1896, Statistical Bureau, Treasury Department, Feb., 1897, p. 1462.

two per cent of this vast sum rested upon Alabama lands.¹ This was \$8,500,000 in excess of the debt for the same number of acres in other States.²

The time was now ripe for action, and the remedy applied by Congress was two-fold: First, the repeal of the credit system; second, provision for the liquidation of the debt. The latter without the former would have aggravated the trouble. The stock argument against repeal was, that without credit, men of small means could not become purchasers, and that the growth of the West would be retarded.³ The law of 1820, in providing for cash sales, met this by so reducing the price per acre and the minimum tract subject to purchase that whereas \$80.00 were required for the first instalment on a quarter section, one hundred dollars now paid in full for eighty acres.⁴ This measure passed the House by a vote of one hundred and thirty-three to twenty-three; and in the Senate only seven votes out of a total of thirty-eight were cast against it.⁵ With the exception of one vote in the Senate and seven in the House, the opposition to cash sales came entirely from the West.⁶ It should not be inferred, however, that the Trans-Alleghany States were a unit for the credit system, as they really gave a majority of one against it. Still the temper of western sentiment was such that its representatives, who had voted for cash sales, felt called upon to justify their course.⁷

To liquidate the debt was far more difficult. Nearly a dozen acts were passed for this purpose. The first—that of 1821—offered three plans of relief: (1) Relinquishment of a part of one's purchase, and application of payments made thereon to that retained. (2) Payment of amount due, less a discount of thirty-seven and a half per cent. This placed the public land debtors on an equality with purchasers after the abolition of the credit system. At that time the minimum price per acre was reduced from two dollars to one dollar and twenty-five cents. (3) The

¹ American State Papers, Public Lands, Vol. IV., p. 795.

² Ibid., p. 805.

³ Niles' Register, Vol. XVIII., 1820, p. 388; Annals of Congress, 1820, cols. 1878-'83. ⁴ Niles' Register, *ibid.*

⁵ Annals of Congress, 1819-20, col. 489; *ibid.*, 1820, col. 1901.

⁶ Annals of Congress, 1819-'20, cols. 9, 10, 23, 448, 489, 700, 701, 726, and *ibid.*, 1820, col. 1901.

⁷ *Ibid.*, 1820, cols. 1883, 1884.

privilege of a further credit.¹ For the benefit of those who failed to take advantage of these provisions they were re-enacted in 1822,² and again in 1823.³ Even then purchasers of 126,933 acres, on which \$103,806.58 had been paid, were unprovided for.⁴ Within seven months, or by September 30, 1821, the balance due fell to \$11,957,430.39⁵—nearly fifty per cent. During the following year there was a further decline to \$10,572,378.61.⁶ This marked encouraging progress. In the next eighteen months, however, the debt decreased but \$351,104.61.⁷ Moreover, under the act of 1821, further credit had been taken on 3,588,558 acres upon which there was a balance due of \$6,740,358.18.⁸ Ninety-two per cent of this rested on land upon which but one-fourth of the purchase money had been paid.⁹ Such a heavy indebtedness rendered reversions and forfeitures inevitable. Some further plan of liquidation was evidently necessary. This was the purpose of the acts of 1824¹⁰ and '26,¹¹ which enabled those who had taken an extension of credit to complete payment by either of the plans offered in 1821. The acts of 1822 and '23 had done this, but they did not require the relinquishment of enough to enable payment to be made in full. As a consequence, the debt declined successively to \$7,955,831.03,¹² December 31, 1825, and \$4,305,365.28,¹³ September 30, 1827. Still liquidation was incomplete. Besides, in the eight years ending with 1829, 687,384 acres further credited reverted, and \$741,290.71 were forfeited.¹⁴ Seventy-five per cent of the forfeitures were in Alabama, and eighty per cent of the remainder were distributed about equally in Ohio, Indiana, and Illinois.¹⁵

It was apparent that further legislation was needed, and Congress passed the acts of 1830 and 1831. These applied to lands further credited which had reverted. The principal

¹ Annals of Congress, 1820-'21, Appendix, col. 1795 *sq.*

² *Ibid.*, 1822, Appendix, cols. 2591, 2592.

³ *Ibid.*, 1822-'23, Appendix, col. 1408; American State Papers, Public Lands, Vol. III., p. 641.

⁴ American State Papers, Public Lands, Vol. IV., p. 770.

⁵ *Ibid.*, Vol. III., p. 645. ⁶ *Ibid.*, Vol. IV., p. 795. ⁷ *Ibid.*

⁸ *Ibid.*, Vol. III., p. 630.

⁹ *Ibid.*

¹⁰ Annals of Congress, 1824, Appendix, cols. 3219, 3231, 3232.

¹¹ *Ibid.*, 1825-'26, Appendix, pp. XII., XIII.

¹² American State Papers, Public Lands, Vol. IV., p. 911.

Ibid., Vol. V., pp. 3, 802. ¹⁴ *Ibid.*, Vol. VI., p. 18. ¹⁵ *Ibid.*

feature of the former provided for liquidation by abatement. By this method titles were completed upon payment of one dollar and twenty-five cents per acre, in addition to that already paid—the total not to exceed \$3.50 per acre.¹ Purchasers of high-priced lands were the chief beneficiaries of this provision.² The act of 1831, therefore, declared purchasers at less than \$14, "entitled to patents*in all instances where one dollar and twenty-five cents, or a greater sum, per acre, shall have been paid [or where payment to that amount shall be made]."³ The act of 1830 also authorized the issuance of certificates for the amount forfeited on reverted lands, which had sold at not to exceed \$2.50 per acre. These were receivable in payment of public lands. The act of 1828 had provided for this in all cases where further credit had not been taken.⁴

To sum up: 4,602,573 acres were relinquished;⁵ seventy per cent of the debt was liquidated in this way;⁶ fifteen and two-tenths per cent by cash and discounts;⁷ six and four-tenths per cent by abatement;⁸ and the remainder in one or another of the following ways: (1) cancellation of indebtedness on land upon which certificates for forfeitures were issued; (2) cash incidental to abatement; (3) cash without discount on instalments;⁹ (4) reversions.¹⁰ The purchase price of land relinquished, averaged higher than of that retained. Under the laws of 1821, '24 and '26 the prices per acre respectively were: Three dollars and fifty-four cents, and three dollars and eleven cents;¹¹ two dollars and ninety cents, and two dollars and fifty-three cents;¹² three dollars and fourteen cents, and two dollars and thirty-four cents.¹³ The contrast was greatest where speculation had been most unrestrained. In Alabama, under the acts of 1824 and '26, the figures were: Three dollars and ninety-eight cents, and three dollars

¹ Congressional Debates, 1829-30, Appendix, p. XIII.

² American State Papers, Public Lands, Vol. VI., p. 216.

³ Congressional Debates, 1830-31, Appendix, col. 17.

⁴ Ibid., 1827-28, Appendix, p. XXIII.; American State Papers, Public Lands, Vol. V., p. 12.

⁵ American State Papers, Public Lands, Vol. VI., p. 456.

⁶ Ibid., and Vol. IV., p. 795.

⁷ American State Papers, Public Lands, Vol. VI., p. 456, and Vol. IV., p. 795.

⁸ Ibid. ⁹ Ibid., Vol. VI., p. 11. ¹⁰ Ibid., Vol. VI., pp. 18, 456.

¹¹ Ibid., Vol. III., p. 629; Vol. IV., p. 482.

¹² Ibid., Vol. IV., pp. 770, 794. ¹³ Ibid., Vol. V., p. 3.

and forty-one cents;¹ four dollars and thirty-six cents, and three dollars and twenty-eight cents.² The government sold 19,399,158 acres under the credit system for \$47,689,563.09, but, owing to reversions and relinquishments, parted title with but 13,642,536 acres, for which \$27,900,379.29 were received.³ The system was at its worst in Alabama: of 3,999,245 acres sold, 1,842,535 were relinquished—nearly three times as great a percentage as in other states.⁴

The above pages point to but one conclusion. The sale of the public lands on credit was a disastrous failure. It introduced antagonistic interests between government and subject. The rapid growth of the debt, and especially of the payments defaulted upon, soon attracted the attention of thoughtful observers. It engulfed large numbers in hopeless debt and called for the repeated intervention of the government to save men from the consequences of their own acts. Laws for this purpose were in force during nearly half the life time of the credit system; even then reversions and forfeitures were not uncommon. Instead of subserving the interest of the Treasury, it yielded the government an annual stream of uncollectable claims, and fully twelve years were required to clear away the wreckage which it left in its wake. Of all the states, Alabama was the worst sufferer.

The credit system also promoted the wild speculation in Western lands which preceded the panic of 1819. The only limit to purchasers which it imposed, was the ability to make the first payment. In doing this, many settlers expended their last cent, relying upon the produce of their industry to meet instalments as they would fall due.⁵ Further, credit fired the imaginations of men and led them to offer prices greatly in excess of cash values.⁶ It may have hastened the settlement of the West, but subsequent history has shown that other means, fully as effective and unattended with so many evils, may be used for this purpose.

No doubt the sale of land on credit would have worked better

¹ *Ibid.*, Vol. IV., pp. 770, 794. ² *Ibid.*, Vol. V., p. 3.

³ Donaldson, *The Public Domain*, p. 203.

⁴ *American State Papers, Public Lands*, Vol. V., p. 385; Vol. VI., p. 456.

⁵ *American State Papers, Public Lands*, Vol. II., p. 888.

⁶ *Annals of Congress*, 1820, col. 1880.

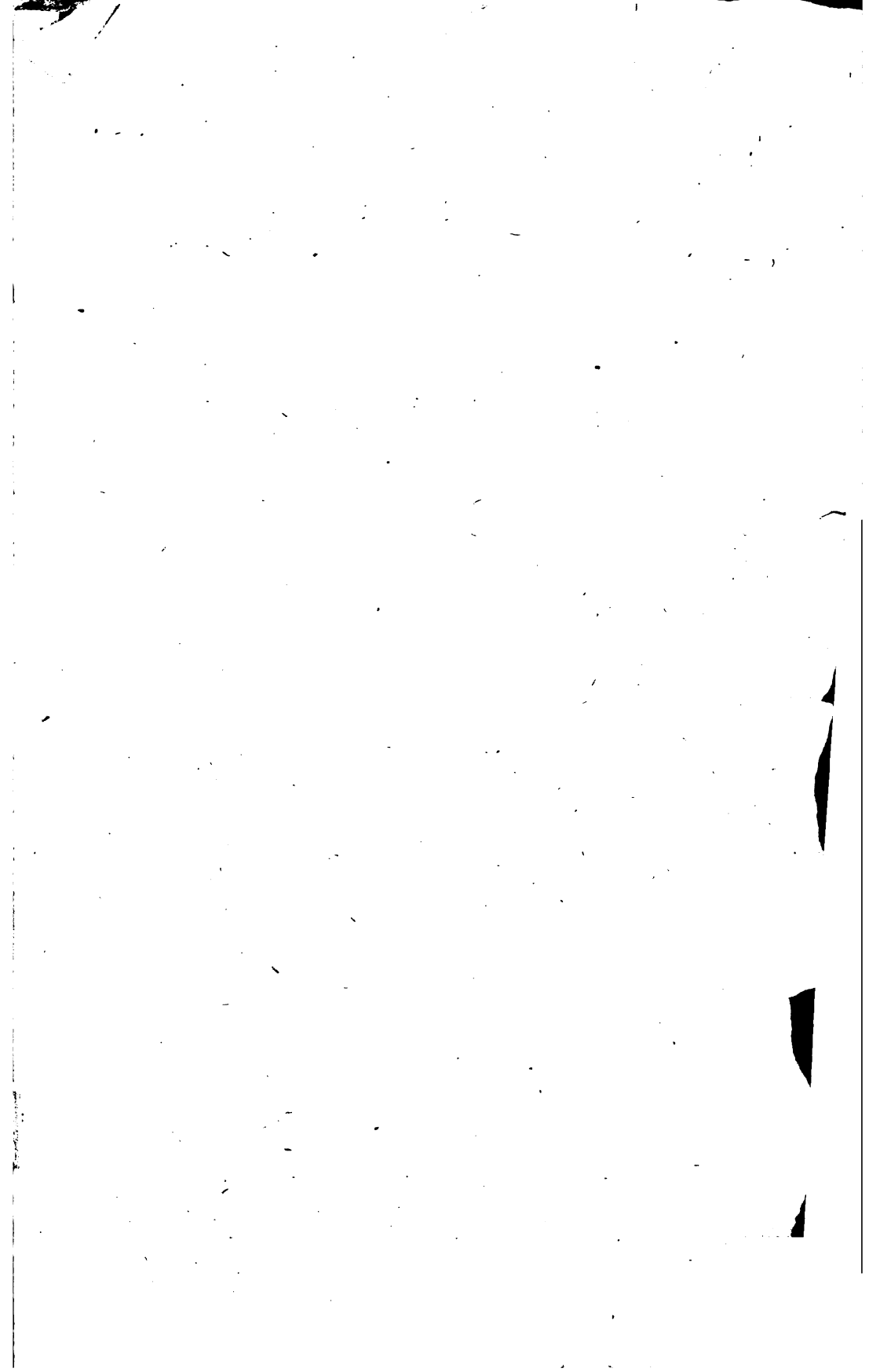
if conditions had been other than they were. If half the purchase money in place of one-fourth had been required in cash; if security other than the land had been given; or, if transportation had been less primitive, the results would have been less disastrous. The conclusion seem unavoidable, however, that the system itself was at fault. In recommending its repeal in 1819, the Senate Committee on Public Lands, said: "It cannot be correct policy to persist in the continuation of a system so much affected by circumstances as that under consideration, which requires the frequent aid of mitigating expedients to preserve its existence, and to prevent its oppressive effects on a considerable portion of the community. * * * Judging from the experience of the past, without any assurance of a more favorable state of things in the future, it may be concluded that the system of credit is not well adapted to the circumstances of the country, and will be injurious so long as commerce is liable to fluctuation."¹

C. F. Emerick.

¹ American State Papers, Public Lands, Vol. III., p. 413.







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